

**COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF REVENUE  
DIVISION OF LOCAL SERVICES**

Bureau of Local Assessment  
Informational Guideline Release (IGR) No. 90-401  
March 1990

**ASSESSMENT OF NEW CONSTRUCTION**

Section 40 of Chapter 653 of the Acts Of 1989  
(Amending G.L. Ch. 59 §2A(a))

**SUMMARY:**

This legislation allows cities and towns that accept its provisions to assess new buildings, structures, or other physical improvements added to real property between January second and June thirtieth for the fiscal year beginning on July first. As a result, new construction or improvements built on the parcel during the first six months of the year will now be reflected in the assessed valuation of the parcel a fiscal year earlier. However, the statute does not change the January first assessment date. The taxable unit, ownership and value of real estate parcels will still be determined as of January first.

The assessment of personal property is not effected by this legislation.

The purpose of this legislation is to reduce the delay that now occurs between the construction and taxation of new buildings and other improvements to real estate.

**GUIDELINES:**

**A. LOCAL ACCEPTANCE**

1. Vote of Legislative Body

Only cities and towns that have accepted this legislation may assess new construction or improvements built by June thirtieth immediately in the next fiscal year. Acceptance requires a majority vote of town meeting, town council or city council.

2. Effective Date

The statute will be effective for fiscal year 1991 in cities and towns that accept it before July 1, 1990, unless another fiscal year is specifically designated in the acceptance vote. The statute will not be effective until FY92 in any city or town that accepts its provisions on or after July 1, 1990.

3. Notice of Acceptance

If a community accepts the statute, the city or town clerk should notify the Bureau of Local Assessment by submitting a "Notification of Acceptance".

**B. ASSESSMENT OF REAL ESTATE**

In a community that accepts the statute, the assessment of real estate parcels will be based on the buildings, structures and other physical improvements that are part of the parcel on June thirtieth instead of those that are part of the parcel on January first. Therefore, assessors should adjust their schedules and procedures for reviewing new construction and demolitions so that property record cards reflect the buildings, structures or other physical improvements that are part of each parcel of real property on June thirtieth, as well as their physical condition and utility on that date.

1. New Construction, Additions and Alterations

If a parcel has been the subject of any construction activity, during the first six months of the year, the new buildings, additions, renovations or other physical improvements existing on June thirtieth will now be assessed and taxed a fiscal year earlier.

**Example.** A property consisted of vacant land as of January 1, 1989. In the fall of 1989, construction of a new single family house begins. As of January 1, 1990, the foundation has been completed. Work resumes in the spring and on June 30, 1990, the house is 75% complete.

In cities and towns that accept the statute, the land and partially completed house existing on the land on June 30, 1990 would be assessed and taxed for FY91. In cities and towns that do not accept the statute, the land and foundation only would be assessed and taxed for FY91.

## 2. Destruction or Damage

If any buildings, structures or other physical improvements on a parcel have been removed, destroyed or damaged during the first six months of the year, those improvements are to be assessed and taxed based on their physical characteristics and condition on June thirtieth.

**Example No. 1.** A property consisted of land and a single family home as of January 1, 1990. On June 1, 1990, the house is partially damaged by a fire and as of June 30, 1990, no repairs have been made.

In cities and towns that accept the statute, the land and partially damaged house would be assessed and taxed for FY91. In cities and towns that do not accept the statute, the land and undamaged house would continue to be assessed and taxed for FY91.

**Example No. 2.** The same facts as above except that the house is completely destroyed by the fire. In the spring, the parcel is cleared and construction of a replacement house begins. As of June 30, 1990, the replacement house is 50% complete.

In cities and towns that accept the statute, the land and the partially completed replacement house existing on the property on June 30, 1990 will be assessed and taxed for FY91. In cities and towns that do not accept the statute, the land and the original house existing on the property on January 1, 1990 would be assessed and taxed for FY91.

## C. VALUATION

Once the assessors in communities accepting the statute have determined the buildings, structures or other physical improvements to be assessed for the year, they will appraise them as of January first. The fair market value of all taxable real property is to be determined as of January first. All valuation schedules should continue to reflect market conditions as of January first. In addition, any changes in zoning, availability of municipal and utility services or other factors relevant to the value of a particular parcel must still occur by January first to be reflected in the assessed valuation of the property for the fiscal year. Any value increases or decreases attributable to changes in market conditions or other factors will not be reflected until the following year's assessment.

**Example.** Taxpayer A owns a vacant lot that was subdivided, and provided with all necessary utilities several years ago. As of January 1, 1990, the lot was still vacant, but a new single family house is constructed on the parcel during the spring and is complete as of June 30, 1990. The assessors determine that the value of the land and house as of January 1, 1990 would be \$200,000. In May 1990, a significant nuisance developed near the property which adversely affects its value.

Since the change in the market conditions for this type of property did not occur by January 1, 1990, the assessors in communities accepting the statute will continue to assess the property at \$200,000 for FY91. Any decrease in value attributable to the change in market conditions will be reflected in the FY92 assessed valuation of the parcel.

## D. TAXABLE PARCEL

Real estate taxes will continue to be assessed annually as of January first for the fiscal year that begins on the next July first. Therefore, the taxable unit or parcel, ownership and usage classification of real estate parcels will still be determined as of January first.

## 1. Taxable Unit or Parcel

The assessors will continue to determine what constitutes the taxable unit or parcel, as well as its ownership, as of January first. This means that any changes in the taxable unit occurring because of land splits and subdivisions or conversion to condominium units must still occur by January first to be reflected in the assessment roll for the fiscal year. In addition, any increase in value attributable to those types of changes in the legal status of the property will be reflected in the next fiscal year's valuation and assessment.

**Example No. 1.** On January 1, 1989, Developer A owned a 10 acre parcel of vacant land. On February 1, 1990, the planning board approved a subdivision plan for the property, which was recorded at the Registry of Deeds on March 1, 1990. The plan divided the property into 5 lots. As of June 30, 1990, the entire 10 acres remained vacant.

The approval and recording of the subdivision plan affects the legal status of the property, but does not constitute a physical addition to the real estate. Therefore, since the change in taxable unit made by the subdivision plan did not occur before January 1, 1990, the assessors in communities accepting the statute would continue to assess the property as a single 10 acre parcel to Developer A for FY91. Moreover, any increase in the value of the parcel attributable to the subdivision would not be included in the FY91 assessed valuation of the parcel. In FY92, the assessors would assess the property as 5 separate parcels and any increased value due to the subdivision of the property would be reflected in the assessed valuation of those 5 parcels.

**Example No. 2.** The same facts as above except that Developer A sold one of the lots to Taxpayer B on April 1, 1990 and immediately began constructing a single family house on the lot. As of June 30, 1990, the house was 50% complete.

As in the example above, the assessors in communities accepting the statute would continue to assess the property as a single 10 acre parcel to Developer A in FY91 and any increase in the land value attributable to the subdivision could not be included in the FY91 assessed valuation of the parcel. However, because the construction activity has resulted in a physical addition to the real estate, the value of the partially constructed house would be included in the FY91 assessed valuation of the parcel.

## 2. Usage Classification

The assessors will continue to determine the usage classification of real property as residential, open space, commercial or industrial property as of January first. This means that any changes in the use of property actually existing on January first must still occur by that date to be reflected in the assessment for the fiscal year.

However, if property has been the subject of construction activity or other change in physical characteristics or condition during the first six months of the year, the assessors would determine its usage classification as if the changes in the property had occurred by January first. The use of the property on June thirtieth will be deemed to be the use on January first.

**Example.** A property consisted of land and a single family home as of January 1, 1990. The property owner, a doctor, built an addition onto the house during the spring and began using it as his office on June 1, 1990.

In cities and towns that accept the statute, the property will be classified for FY91 as if the addition existed on January 1, 1990. This means that the new addition will be classified as commercial and the rest of the property will continue to be classified as residential. In cities and towns that do not accept the statute, the new addition would not be assessed for FY91 and therefore, the entire parcel would continue to be classified as residential.

## E. LEVY LIMIT INCREASE FOR TAX BASE GROWTH

The legislation does not change the criteria for determining and calculating the amount of increase permitted in the annual levy limit for allowable tax base growth under Proposition 2½. However, acceptance of the statute will result in certain allowable tax base growth for construction activity becoming part of the community's levy limit base a year earlier. Those types of tax base growth are: (1) new dwelling units, (2) increases of at least 50% for residential property, and (3) increases of at least \$100,000 or 50% for commercial or industrial property.

Assessors in communities accepting the statute should develop procedures for tracking allowable tax base growth to ensure it is reported in the proper fiscal year, particularly for those parcels that may qualify for more than one fiscal year. For example, if a parcel has been subdivided and had a house built upon it during the first six months of 1990, the growth due to the construction activity would be allowable in FY91, while the growth attributable to the subdivision would be allowable in FY92.

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The Division of Local Services is responsible for oversight of and assistance to cities and towns in achieving equitable property taxation and efficient fiscal management.

The Division regularly publishes IGRs (informational Guideline Releases detailing legal and administrative procedures) and the BULLETIN (announcements and useful information) for local officials and others interested in municipal finance.

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